



*Report to the
Auburn City Council*

Action Item
Agenda Item No. 6
City Manager's Approval

To: Honorable Mayor and City Council Members
From: Robert Richardson, City Manager
Andy Heath, Administrative Services Director
Date: June 8, 2009
Subject: Authorization to Appoint Wastewater Treatment Facility Upgrade Financing Team

The Issue

Shall the City Council authorize the appointment of Jones Hall as bond and disclosure counsel; and Southwest Securities (ML Stern) as bond underwriter as it relates to the financing of public improvements at the City of Auburn Wastewater Treatment Facility?

Conclusions and Recommendations

That the City Council, by **RESOLUTION**, appoint Southwest Securities (ML Stern) as Underwriter and Jones Hall, a Professional Law Corporation as Bond Counsel and Disclosure Counsel, as it relates to the financing of improvements to the City of Auburn Wastewater Treatment Facility.

Background

On April 27, 2009, the City Council approved an agreement with Urban Futures, Inc. to provide financial advisory services related to the proposed issuance of Wastewater Treatment Facility Revenue Bonds / Certificates of Participation (COPS). Urban Futures, Inc. was selected as financial advisor subsequent to the March 23, 2009 City Council resolution adopted directing staff to proceed with conventional financing for the onsite wastewater treatment plant improvement project.

As a means to facilitate the selling of bonds / COPS, Urban Futures was directed to assist City staff with the recommendation and selection of financing team members, including bond underwriter and bond / disclosure counsel. Cost bids from firms providing the aforementioned services were obtained by the financial advisor, and the firms recommended for selection are referenced herein. It should be noted that City will not incur any costs for services unless a successful sale of the bonds / COPS takes place.

Based on the bids received while taking into account the recent, highly successful issuance of tax allocation bonds for the Auburn Urban Development Authority's Streetscape Project, staff recommends the City Council appoint the Firm of Jones Hall as bond / disclosure counsel and Southwest Securities (ML Stern) as bond underwriter.

Analysis

Bond / Disclosure Counsel

With respect to providing bond and disclosure counsel services, the following bids were received by the financial advisor:

Firm	Proposed Cost
BBK, LLC	\$45,000
Orrick, Herrington & Sutcliffe, LLC	\$60,000
Richards, Watson & Gershon (RWG)	\$60,000
Jones Hall	\$60,000
SYRC	\$70,000

Staff, at the recommendation of the financial advisor, recommends appointing Jones Hall as bond and disclosure counsel for the wastewater treatment plant improvement project.

- The pricing bid by Jones Hall was competitive and at the average received by the five firms.
- Jones Hall has proven to be successful partner to the City of Auburn as experienced with the recent, highly successful issuance of AUDA Tax Allocation Bonds.
- Jones Hall is familiar with Auburn's organization and has the ability to proceed seamlessly throughout the financing process.
- Jones Hall has recent experience with financing transactions involving "Build America Bonds", which will be considered as a cost-effective financing alternative for the wastewater treatment facility upgrade.

Bond Underwriter

With respect to providing bond underwriter services, the following bids were received by the financial advisor:

Firm	Discount Fee
Piper Jaffray (<i>Tax Exempt Issuance</i>)	0.500% of issue
Piper Jaffray (<i>Build America Bond</i>)	0.750% of issue
Chilton	1.000% of issue
Southwest Securities (ML Stern)	0.750% of issue
E.J. De La Rosa	0.750% of issue

Staff, at the recommendation of the financial advisor, recommends appointing Southwest Securities (ML Stern) as bond underwriter for the wastewater treatment plant improvement project.

- Southwest Securities proposed discount fee of 0.750% applies to both a tax exempt issuance of bonds and the Build America Bonds. As such, Southwest Securities fee is the lowest when considering a potential issuance of bonds under the Build America Bond program.
- Southwest Securities has proven to be a successful partner to the City of Auburn as experienced with the recent, highly successful issuance of AUDA Tax Allocation Bonds.
- Southwest Securities proven knowledge and experience with rating agency analytics and presentations was integral to the AUDA securing an "A-" rating for the Tax Allocation bond issued in October 2008.
- Southwest Securities has at its disposal a vast retail network with the capability of achieving competitive pricing of the bonds (lower debt service costs to the City) and, ultimately, the ability to efficiently sell the bonds.
- Southwest Securities has the proven ability to work with prospective local purchasers of City bonds.
- Southwest Securities is familiar with Auburn's organization and has the ability to proceed seamlessly throughout the financing process.

Once the financing team is in place, a Preliminary Official Statement and all related financing documents will be prepared to ready the bond / COPS issue for sale. It is anticipated that the financing documents will be brought forward to the City Council on July 13, 2009 with the sale of the bonds occurring by the end of July 2009.

Fees paid to the financing team members, including the Financial Advisor, are contingent upon the successful sale of bonds / COPS.

Alternatives Available to City Council / Boards; Implications of Alternatives

1. Approve the appointment of Jones Hall as bond / disclosure counsel and Southwest Securities (ML Stern) as bond underwriter as they relate to the proposed financing of the wastewater treatment plant improvement project.
2. Do not approve the appointments and direct staff accordingly.

Fiscal Impact

None. Fees paid to the wastewater treatment plan improvement project financing team are contingent upon the successful selling of bonds / COPS. Fee resolutions will be brought forward with the financing documents on July 13, 2009.

Budget Reference

N/A

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF AUBURN
APPOINTING PROFESSIONAL CONSULTANTS IN CONNECTION
WITH PROPOSED WASTEWATER BOND FINANCING**

WHEREAS, The City of Auburn intends to finance improvements to its wastewater treatment system through the issuance of bonds or certificates of participation (the "Bonds") which are to be marketed and sold to the public;

WHEREAS, in connection with such financing the City requires the advice and assistance of special legal counsel and a bond underwriter;

WHEREAS, the City has determined that certain business entities named herein are qualified by training and experience to perform the services of bond counsel, disclosure counsel and bond underwriter, and such entities have expressed a willingness to provide such respective services; and

WHEREAS, the public interest, economy and general welfare will be served by utilizing these professional services;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE, ORDER AND DETERMINE:

Section 1. Financing Consultants. With respect to the issuance of the Bonds, the following professionals are hereby appointed: (i) Southwest Securities, as Underwriter; and (ii) Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel.

Section 2. Official Actions. The City Manager, Administrative Services Director or the designee of either of them (each, an "Authorized Officer") are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, including execution and delivery of services or fee agreements with the professionals named herein, on terms which the Authorized Officer deems appropriate, which such Authorized Officer, or any of them, may deem necessary or advisable in order to consummate the providing of the services referred to herein in connection with the issuance and sale of the Bonds. The authorization of any Authorized Officer of the City to execute such agreements or to take any action, such execution or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 3. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

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PASSED AND ADOPTED by the City Council of the City of Auburn at a regular meeting thereof held on the eighth day of June, 2009.

AYES:

NOES:

ABSENT:

J.M. Holmes, Mayor

[S E A L]

Attest:

City Clerk

